Exploring the impact of employer brand attributes on financial performance: an intellectual capital perspective

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Received 15 May 2023
Revised 15 July 2023
Accepted 21 August 2023

Abstract

Purpose – The employer brand is a crucial intangible asset for companies as it enhances the employer–employee relationship, leading to improved employee performance and overall company outcomes. This paper aims to investigate the contribution of the employer brand to the financial results of companies in southern Europe.

Design/methodology/approach – The sample consists of 266 companies operating in southern European countries during the year 2020. Secondary data on employer brand attributes, assessed from the perspective of current employees, were collected from the Glassdoor platform. Financial indicators were obtained from the companies' annual financial reports. The research hypotheses were tested using regression analysis.

Findings – The results of the regression analysis support the notion that the employer brand contributes to profitability indicators and management effectiveness indicators of southern European companies. However, the study did not find evidence supporting the contribution of the employer brand to market indicators and financial structure indicators of the observed companies.

Originality/value – This study is one of the first empirical investigations to assess the role of the employer brand as a human capital tool for enhancing the financial performance of companies in southern Europe. The study examines employer brand attributes from the perspective of current employees, who actively participate in shaping the employer brand and the company's image. In contrast to prior research, this study incorporates a more extensive set of financial indicators, categorized into four groups: profitability indicators, management effectiveness indicators, market indicators and financial structure indicators.

Keywords Financial performance, Intellectual capital, Employer brand, Brand attributes

Paper type Research paper

Journal of Intellectual Capital
Vol. 24 No. 7, 2023
pp. 31-54
Emerald Publishing Limited
1469-1930
DOI 10.1108/JIC-05-2023-0112

Introduction

In line with the resource-based view of the firm, human resources represent an important ingredient of value creation and competitive advantage (Backhaus and Tikoo, 2004) and act as the primary driver of organizational performance (Maurya and Agarwal, 2018). The lack of human resources in the global labor market has increased competition for employees with appropriate managerial and expertise skills (Arasanmi and Krishna, 2019), which organizations need to draw from its external environment, in order to maintain their survival and growth (Corvino *et al.*, 2019). Another problem that companies face is how to retain valuable employees (Tanwar and Prasad, 2016). The last decade in the field of managing human capital has seen a substantial increase in the attention given to the concept of an employer brand – the provision of certain tangible and intangible benefits for employees that ensure the attraction and retention of employees. The benefits are observed through attributes like compensation, culture and values, career opportunities, work/life balance and senior leadership (Heidt *et al.*, 2023; Saini and Jawahar, 2019).

Human capital, as one of the three components of IC, plays the most important role in the value-creation process, so investing in it increases individual productivity (Onuoha, 2022; Rieg and Vanini, 2023). Employer's brand represents a part of the company's intellectual assets that significantly increases the performance of internal human capital and has the potential to attract external human capital. Authors like Brusch *et al.* (2018) and Kucherov and Samokish (2016) agree with this, observing the employer brand as a valuable part of intangible assets that contributes to the company's competitive advantage. By employing talented individuals, structural capital is used more efficiently, which also increases the value of IC. The development of the employer brand affects the company's image in the labor market, which contributes to increasing the value of relational capital or IC.

Providing appropriate benefits for employees increases employee satisfaction and motivation (Tanwar and Prasad, 2016), which leads to better employee productivity (Daley, 2017) and increased overall business performance (Ognjanović, 2020). This is in line with Sharma and Sharma (2014) and Tarigan *et al.* (2022), who state that productivity is an issue that companies must deal with if they want increased profitability and economic growth. On the other hand, the development of the employer brand leads to certain costs for companies, which gives rise to the need to test the relationship between the employer brand and financial performance. The aim of the paper is to explore whether an employer brand can create financial benefits for companies.

Several research gaps have been identified in the employer brand literature. Firstly, previous studies have not analyzed the employer brand in the context of IC. Some authors (Brusch *et al.*, 2018; Kucherov and Samokish, 2016) consider the employer brand as a part of intangible assets, but without clarifying what part of IC it falls under. Furthermore, it is not specified what is the connection with other components of IC and how an employer brand influences the increase of the value of IC. Considering that IC has a key role in acquiring and maintaining the competitiveness and profitability of the company (Bollen *et al.*, 2005), it is necessary to determine the nature of relationship between the employer brand and IC. Observing the characteristics of IC and the employer brand with an insight into the results of previous research, the study draws a conclusion about the nature of the relationship between these two components, thereby trying to fill the evident research gap. Secondly, the previous labor relations research had not been focused on so-called "peripheral regions" like southern Europe (Psychogios *et al.*, 2010, p. 205). Also, previous studies had not viewed the employer brand as a means of improving the employer–employee relationship in the region of southern Europe. Familiarity with the employer is essential for the employer–employee relationship, especially among current employees (Alshathry *et al.*, 2017). By investigating the development of employer brand attributes, the study seeks to supplement existing research in the field of labor relations in developed economies (Jung *et al.*, 2016) with research from a region characterized by certain HRM (human resource management) challenges (Derrien and De Barochez, 2020; Psychogios *et al.*, 2010). Thirdly, previous studies mainly analyzed the importance of the employer brand for potential employees and the role of the employer brand in attracting talent (Alshathry *et al.*, 2017; Tanwar and Prasad, 2016). Some authors (Maxwell and Knox, 2009; Tanwar and Prasad, 2016) believe that employer brand studies should focus on current employees because they participate in the creation and development of the employer brand. In addition, the literature supports the contribution of different HRM practices to the value of human capital (López-Cabrales *et al.*, 2011), but not all of these practices have been viewed in terms of the benefits provided by the employer to employees. Given that current employees participate in building a positive image of the company (Fiano *et al.*, 2022) and that employee motivation depends on the benefits that the employer provides them (Tanwar and Prasad, 2016), the study includes current and former employees in the analysis who evaluate employer brand attributes from the perspective of the benefits provided by the employer. Fourthly, most previous studies, which have conducted research among current employees, analyze the impact of the employer brand on employee retention (Arasanmi and Krishna, 2019; Kashyap and Verma, 2018), employee satisfaction (Tanwar and Prasad, 2016) and employee attitude (Chawla, 2020; Saini and Jawahar, 2019; Schlager *et al.*, 2011). To the best of the authors' knowledge, previous studies have not analyzed the relationship between financial performance and an employer brand, in the context of IC. An analysis of the employer brand contributes to a better understanding of business performance (Deepa and Baral, 2019). However, researchers consider it difficult to measure business performance directly through employer branding practices (Deepa and Baral, 2019; Srivastava and Bhatnagar, 2010). The current study attempts to overcome this gap by analyzing the relationship between employer brand attributes and companies' financial performances. Based on the observed research gaps, the study aims to identify the contribution of the employer brand to financial performance, on the basis of which appropriate conclusions can be drawn regarding the improvement of employee productivity and employer–employee relationship. According to the observed research gaps, this study aims to answer the following research questions.

RQ1. Is the employer brand a part of IC or is it an individual and separate means of improving the value of IC?

RQ2. Which employer brand benefits/attributes do the current employees value the most and do these mostly valued attributes have the greatest contribution to the financial performance of the companies?

RQ3. Is there and what is the contribution of the employer brand to the financial performance of observed companies?

The contribution of the paper is fourfold. First, the study looks at the employer brand in the context of IC and its contribution to companies' financial performance. By influencing the value of human capital, through creating benefits for employees, the employer brand enhances the value of IC. Second, the study provides an answer to the question of how current employees evaluate employer brand attributes. Unlike previous studies, employer brand attributes are evaluated from the perspective of the benefits they provide to employees. Third, the analysis of employer brand attributes contributes to a better understanding of the employer–employee relationship in companies in the region of southern Europe, which is characterized by greater employment protection and low levels of productivity. Fourth, the study provides an understanding of the relationship between employer brand attributes and financial performance (profitability indicators, indicators of management effectiveness, market indicators and financial structure indicators), which has not been analyzed in the literature so far. Such results are particularly significant for company management, especially in those where employee productivity is not at a satisfactory level.

Theoretical framework

The employer brand as concept to improve employer–employee relationship

The employer brand encompasses "the package of functional, economic and psychological benefits provided by employment, and identified with the employing company" (Ambler and Barrow, 1996, p. 187). In today's market, characterized by a scarcity of highly skilled and loyal employees (Schlager *et al.*, 2011), the employer brand is crucial. Its purpose is to enhance employee commitment to the organization and improve competitiveness in the talent market (Maurya and Agarwal, 2018). The employer brand is considered part of an organization's intangible assets, specifically relational capital, as it promotes the organization as an attractive employer, sets realistic expectations for job candidates and fulfills promises made to current employees. By establishing commitments and advantages for both the company and its employees, management cultivates a strong employer–employee relationship. This relationship is acknowledged as a component of intangible assets in the literature (Brennan and Connell, 2000), with the development of the employer brand supporting its growth (Kryger Aggerholm *et al.*, 2011). The employer–employee relationship encompasses a set of human capital practices that enhance efficiency, reduce costs and improve competitiveness and business performance (Oruh *et al.*, 2020). Developing this relationship benefits both employers and employees. By creating a trustworthy and loyal environment, it fosters positive relationships, boosts employee productivity and helps achieve business goals (Sahoo and Sahoo, 2018).

The theoretical foundations of the employer–employee relationship in southern Europe are grounded in the Varieties of Capitalism (VOC) framework (Hall and Soskice, 2009). The VOC emphasizes diverse business practices that support company functioning and competitiveness while linking industrial relations to other social and economic aspects like innovation financing and employee training (Gazier and Boylaud, 2015). The original VOC approach categorizes developed countries into two archetypes: Liberal Market Economies (LMEs) such as the USA and UK and Coordinated Market Economies (CMEs) like Scandinavia, Germany and Japan (Hall and Soskice, 2009). However, the European continent exhibits heterogeneity, making this classification unsuitable for all European regions. Amable (2003) highlights that companies in southern Europe prioritize employment protection and operate under more regulated labor markets compared to other European economies. Psychogios *et al.* (2010) note that a defining characteristic of employment relations in southern Europe is the prevalence of small enterprises. However, the countries in this region have experienced sluggish growth, with some of the lowest rates in Europe, attributable in part to low employee productivity and declining demographic trends that affect the workforce (Derrien and De Barochez, 2020). The issue of employee productivity requires analysis and resolution. Developing an employer brand represents one approach to enhancing the employer–employee relationship, increasing productivity and improving efficiency in these countries.

Employer brand attributes

Employer brand attributes are integral to a company's organizational culture and beliefs, contributing to positive perceptions, talent acquisition and enhancing employee commitment, engagement and retention (Tanwar and Prasad, 2016; Deepa and Baral, 2019). This study focuses on five monitored employer brand attributes: compensation and pay, culture and values, career opportunities, work/life balance and senior leadership. The selection of these attributes is based on several considerations. First, internal attributes are preferred because current employees can assess them more accurately. Second, external attributes were excluded since they can only be evaluated by potential employees, who were not the focus of this study. Moreover, managers are perceived as the most knowledgeable regarding external attributes. Lastly, Glassdoor does not distinguish between internal and external attributes, and their methodology suggests that only internal attributes were analyzed.

Compensation and pay encompass the wage and salary system, as well as the reward system, that employees anticipate within the employment relationship (Vaez Shahrestani *et al.*, 2020, p. 79). Organizational culture refers to a unique system of values and beliefs upheld by employees, serving as an employee value proposition and influencing differentiation in the labor market (Tanwar and Prasad, 2016).

Career opportunities, as defined by Berthon *et al.* (2005), pertain to developmental value and measure an individual's satisfaction with a work environment that offers career growth, diverse experiences, job security and cross-sectoral development. Work/life balance represents the benefits derived from fulfilling both professional and family obligations, contributing to personal and professional success for employees (Dabirian *et al.*, 2019).

Senior leadership encompasses supervisory and management styles that inspire, encourage, protect and respect employees (Dabirian *et al.*, 2019). Its development involves formulating top management policies, working styles, politics and leadership approaches (Kashive *et al.*, 2020).

The intellectual capital perspective of the employer brand

The concept of IC has gained importance at the end of the 20th century, with the paradigm shift towards knowledge-based economy and information age. In these new circumstances, the immaterial assets become the critical factors of organizations' long-term competitive advantage (Bollen *et al.*, 2005). Components of IC, namely human, structural and relational capital, represent different manifestations of companies' knowledge assets (Martín-de Castro *et al.*, 2019). Support for the development and increase of the value of knowledge assets is provided by the employer brand as "a targeted, long-term strategy to manage awareness and perceptions of employees, potential employees, and related stakeholders with regards to a particular organization" (Backhaus and Tikoo, 2004, p. 501). Therefore, IC can be built through constructive practices of human capital development (Chen *et al.*, 2021; Näppä, 2023) where the employer brand is a tool to support the development of IC through the creation of appropriate benefits/attributes for employees.

The relationship between the employer brand and IC can be observed through the components of IC. The company's human capital practices support employee creativity to improve the delivery of value to customers. This operation requires well-established organizational processes (structural capital) to facilitate the "insourcing" of external knowledge assets (relational capital) (Murthy and Mouritsen, 2011, p. 625).

Human capital. The practice of employer branding is based on the assumption that human capital brings value to the company and that by skillfully investing in human capital the financial performance can be improved (Backhaus and Tikoo, 2004). Ferrary (2015) in a similar way observes the role of the employer brand in strengthening the value of human capital, emphasizing that the employer invests in the attributes of the employer's brand in order to create specific knowledge that provides stability to employees and greater opportunities for the employer to make a profit from its investment in human capital. Through employer branding, the company places the employment value proposition on the market, which increases the value of human capital (Backhaus and Tikoo, 2004). Research shows that in exchange for attributes/benefits provided by the employer, employees increase their engagement and commitment to the company and participate in the realization of the company's goals and vision (Chawla, 2020). Favorable working conditions among current employees also influence the attractiveness of the employer on the labor market, i.e. future employees.

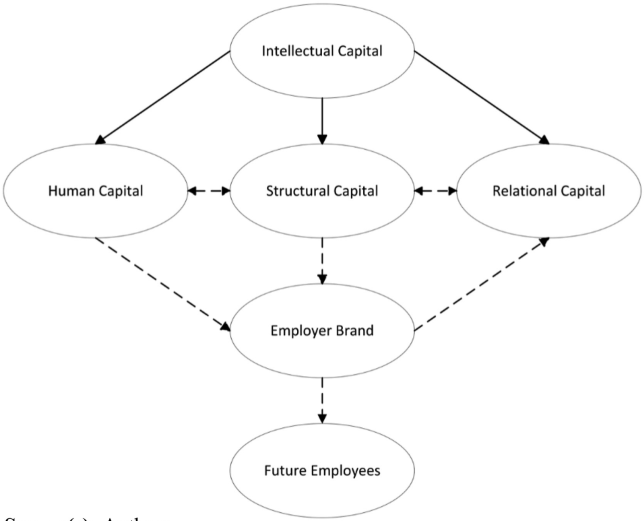
A special problem for companies is the transferability of human capital (Ferrary, 2015), which leads to employee turnover, which represents a major threat to investment in human capital. If the employee leaves the company, the potential return on investment in human capital would be lost to the employer (Ferrary, 2015). Bearing in mind the importance of human capital in terms of gaining and maintaining a competitive advantage (Backhaus and Tikoo, 2004), the employer brand is an important tool for increasing the value of human capital and thus the IC of the company.

Structural capital. If companies want quality and talented employees, they must provide adequate organizational support and infrastructure (Jain and Bhatt, 2015), i.e. structural capital. Structural capital is one of the employee motivation factors that encourage the growth and development of employee achievement (Kumar *et al.*, 2021), offering them the organizational infrastructure as the necessary support to achieve the best possible performance, which in turn will lead to better corporate performance (Onuoha, 2022). Islam *et al.* (2015) emphasize that knowledge transfer, carried out through organizational infrastructure and structural capital, is a critical factor in the company's ability to respond to changes, innovate and achieve competitive success with the help of employees. The development of employer brand attributes affects the engagement and creativity of employees to solve problems in an innovative way, create patents, concepts, models, which leads to the improvement of structural capital, i.e. organizational knowledge (Onuoha, 2022).

Relational capital. Literature shows that the development of employer brand attributes has a positive effect on the components of relational capital: corporate brand and customer-employee relationship. Authors (Deepa and Baral, 2021; Foster *et al.*, 2010; Junça Silva and Dias, 2023) agree that positive employee behavior aimed at building the corporate brand is the result of the employer's branding efforts. On the other hand, the corporate brand can positively influence the attraction of new candidates based on the image they have (Junça Silva and Dias, 2023). The development of employer brand attributes becomes significant in delivering value to employees that increases the level of employee satisfaction and results in their identification with the employer, which in turn can positively affect customer experiences in employee-customer interaction (Schlager *et al.*, 2011). Companies with a favorable HRM image can attract customers who are more willing to pay a higher price compared to the brand of a company with a less favorable HRM image (Schlager *et al.*, 2011). A review of the state of IC shows that the literature has not yet empirically confirmed the link between IC and the employer brand, but the relationship between the components of IC and the employer brand has been supported in previous studies. The IC perspective of employer brand is represented in Figure 1.

Literature review and hypothesis development

The development of an employer brand aims to enhance the employer–employee relationship and improve business performance, as highlighted by Deepa and Baral (2019). Researching employer brand attributes can provide insights into a company's performance. The employer brand fosters effective communication and a positive relationship between employers and employees, resulting in higher employee satisfaction. Increased employee identification and satisfaction strongly influence company profitability, a benefit emphasized by Schlager *et al.* (2011) and Kashive *et al.* (2020) when discussing the value of investing in the employer brand. The development of the employer brand enhances the value of human capital, recognized as a key resource for competitive advantage and high company performance by the resource-based view (Barney, 1991) and knowledge-based view (Grant, 1996). Attracting and retaining talent, thereby preserving knowledge within the company, is a crucial aspect of the employer brand development. Investing in human capital yields higher profitability (Sydler *et al.*, 2014), with the literature supporting the positive impact of human capital on company profitability



Source(s): Authors

Figure 1. The relationship between IC and the employer brand

(Adesina, 2021). Hence, higher profitability can be attributed to higher-quality human capital (Soewarno and Tjahjadi, 2020). Bontis *et al.* (2018) assert that the contribution of human capital, particularly from graduate employees, positively affects economic performance and enhances value-added per employee. Consequently, the literature supports the contribution of human capital and employee benefit packages to company profitability. However, the literature lacks an analysis of the motivating factors behind human capital's contribution to profitability, specifically which employee benefits have the most significant impact. Additionally, previous studies predominantly assessed benefits from the perspective of managers or potential employees, or relied on quantitative methodologies. To expand the existing literature on human capital and IC, this study introduces the following hypothesis:

H1. Employer brand attributes positively contribute to a company's profitability.

A more detailed analysis of the impact of the employer brand on profitability implies the observation of appropriate profitability indicators (profit margin and operating margin). Previous studies suggest a relationship between the indicators of profitability and employer brand attributes: compensation and pay (Kim and Jang, 2020; Melián-González *et al.*, 2015); organizational culture (Aboramadan *et al.*, 2020); career development (Otoo *et al.*, 2019); work/life balance (Martínez-León *et al.*, 2019; Prouska *et al.*, 2016); and senior leadership (Melián-González *et al.*, 2015). However, all the mentioned employer brand attributes are not considered from the perspective of the benefits that the employer provides to the employees. By monitoring the benefits in this way, a better conclusion can be obtained about whether the employer invests in the employer–employee relationship. Accordingly, the following hypotheses are proposed:

H1a. Employer brand attributes positively contribute to the profit margin of companies.

H1b. Employer brand attributes positively contribute to the operating margin of companies.

Many studies (Adesina, 2021; Hang Chan, 2009; Weqar *et al.*, 2021) indicate the impact of human capital on the indicators of management effectiveness. However, the literature has not determined whether the employer brand affects these indicators. If the employer brand is viewed as a tool for increasing the efficiency of the use of human and other resources, it is necessary to empirically examine whether the development of the employer's brand attributes has a positive effect on the effectiveness indicators, which is why we hypothesize that:

H2. Employer brand attributes positively contribute to the management effectiveness indicators of companies.

A more detailed analysis and conclusions about the contribution of the employer brand to business effectiveness requires the analysis of several different indicators of management effectiveness, like return on assets (ROA) and return on equity (ROE). The impact of human capital on ROA was supported by Nimtrakoon (2015) and the impact of human capital on ROE was supported by Hang Chan (2009). Dzenopoljac *et al.* (2016) and Soewarno and Tjahjadi (2020) concluded that human capital did not impact ROE and ROA. Previous studies indicate a relationship between indicators of management efficiency and employer brand attributes: compensation and pay (Abdalkrim, 2019; Namwong *et al.*, 2017; Shim and Lee, 2003), organizational culture (Aboramadan *et al.*, 2020), career development (Otoo *et al.*, 2019), work/life balance (Martínez-León *et al.*, 2019; Prouska *et al.*, 2016) and senior leadership (Melián-González *et al.*, 2015). The observed attributes were measured quantitatively (compensation) or by a scale (career development, work/life balance, senior leadership) and were not observed from the perspective of the benefits that the employer provides to employees. In order to overcome the perceived deficiency, the following hypotheses are proposed:

H2a. Employer brand attributes positively contribute to the ROA of companies.

H2b. Employer brand attributes positively contribute to the ROE of companies.

The market value of a firm is the overall value of shares issued by a firm (Nimtrakoon, 2015). Human capital, in market terms, becomes important for the company because it helps it take advantage of opportunities and reduce threats in the market (Soewarno and Tjahjadi, 2020). Many studies (Hang Chan, 2009; Nimtrakoon, 2015; Weqar *et al.*, 2021) have concluded that human capital positively contributes to the market performance of a company. Conversely, several other studies (Bayraktaroglu *et al.*, 2019; Firer and Williams, 2003; Mehralian *et al.*, 2012) have concluded that human capital does not affect the market value of the company. As labor force efficiency indicators can provide valuable information to capital market participants (Lajili, 2004), it is necessary to analyze whether workforce efficiency can be increased through employer brand attributes and how this will be reflected in market indicators. Therefore, the third hypothesis reads:

H3. Employer brand attributes positively contribute to the market indicators of companies.

The analysis of the contribution of certain employer brand attributes to market indicators has not been sufficiently explored in the literature. The positive impact of compensation and pay on market performance was supported by Shim and Lee (2003) and Abdalkrim (2019). Also, most studies use the market-to-book (M/B) ratio as a market indicator, while other market indicators are not included in the analysis. The study seeks to overcome this gap by including three market indicators. Accordingly, the following hypotheses are proposed:

H3a. Employer brand attributes positively contribute to the M/B ratio of companies.

H3b. Employer brand attributes positively contribute to the earnings per share (EPS) of companies.

H3c. Employer brand attributes positively contribute to the revenue per share (RPS) of companies.

Decisions on financing companies are related to capital structure (Dobbins, 1993). The more profitable firms use debt optimally because tax benefits maximize firm profitability, which is a signal to the market about inflated growth opportunity in the future (Ayaz *et al.*, 2021). A particularly important indicator for market investors is the assessment of the value of human capital and how that capital can be converted into future income (Caddy, 2000). Therefore, companies choose to use debt, among other things, relying on the fact that human capital will provide a future economic benefit to the organization (Caddy, 2000). Relying on human capital, as a resource that will contribute to debt repayment and contribute to an optimal financial structure, it is necessary to develop support for efficient action of employees through the development of the employer brand. Accordingly, the following hypotheses are proposed:

H4. Employer brand attributes positively contribute to the financial structure indicators of companies.

Research on the relationship between human capital and the financial structure indicator is scarce. The contribution of human capital to the debt-to-equity (D/E) ratio has not been examined, and it has not been checked whether this indicator can be reduced through the development of appropriate benefits for employees. Accordingly, the following hypothesis is defined:

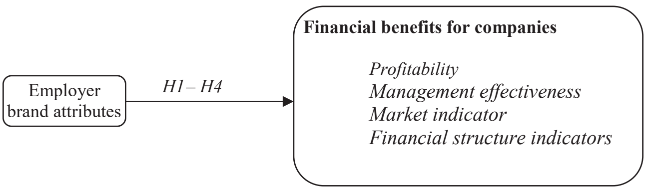
H4a. Employer brand attributes positively contribute to the D/E ratio of companies.

The proposed research hypotheses are shown in Figure 2.

Research method

Sample and data collection

Data for this study were collected from Glassdoor platform (employer brand attributes and employee benefits) and financial statements (financial ratios). The research focuses on companies in southern Europe that were offering employment during data collection. Southern Europe countries are defined according to the United Nations' Department of Economic and Social Affairs as Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Malta, Montenegro, North Macedonia, Portugal, Serbia, Slovenia and Spain (United Nations, 2020). Data were not available for Andorra, Vatican, San Marino and Gibraltar, so these countries were excluded. Information on employer brand attributes was collected for companies offering employment in southern Europe in September 2020. Glassdoor, an online employer branding platform, served as the source for employer brand attribute data, based



Source(s): Authors

Figure 2. Research model

on ratings provided by current or former employees. The data collection period yielded employer brand attribute information for 534 companies currently recruiting in southern Europe.

Glassdoor is widely recognized as the leading platform for employer reviews, with its rankings serving as benchmarks for best employer brand practices (Dabirian *et al.*, 2017). Financial ratios were used to present the financial indicators due to variations in currency across countries. Financial data is from 2020 and was obtained from the Yahoo! Finance website. A significant portion of the initial sample (534 companies) did not have publicly available financial reports, resulting in a reduced sample size of 266 companies.

Table 1 presents the sample breakdown by location, company size and sector. The sample consists of public companies primarily located in Italy (21.4%), Spain (20.7%) and Bulgaria (15.8%). The majority of companies in the sample employ over 10,000 people (63.9%), followed by those employing between 1,001 and 5,000 people (13.5%) and between 5,001 and 10,000 people (11.7%). The manufacturing sector represents the largest proportion of companies in the sample (25.2%), followed by the information technology sector (24.4%) (Table 1).

Measures

Employer brand. The information about employer brand attributes, available on the Glassdoor platform, comes from real employees by means of technological checks of e-mail addresses and screenings and checks by a content management team. Employer brand attributes (compensation and pay, culture and value, career opportunity, work/life balance and senior leadership) are rated on a five-point scale (Glassdoor, 2022) from "very dissatisfied" to "very satisfied".

Glassdoor calculates company ratings using a proprietary rating algorithm, with an emphasis on the most recent reviews. Generally, the more recent the review, the heavier its weight toward the overall rating on Glassdoor.

Financial benefits for companies represent the monetary yield gained from the use of tangible and intangible resources. Part of the intangible assets is also the employer brand; whose development leads to improve the employer–employee relationship. This is the reason why the contribution of employer brand attributes to financial performance is analyzed.

Profitability indicators. Profit margin shows the amount of revenue brought in from operations to the amount invested in the realization of the operation. The operating margin measures how much operating income a company makes per unit of sales after paying variable production costs, interest and taxes. These indicators are calculated as follows:

$$\begin{aligned} Profit\ margin &= Operating\ revenue - Costs\ of\ goods\ sold - Operating\ expenses \\ &\quad - Depreciation - Amortization \end{aligned}$$

$$Operating\ margin = \frac{Operating\ income}{Net\ sales}$$

Management effectiveness indicators. ROA measures the efficiency of a company's management in making a profit using the total assets at its disposal. ROE measures the efficiency of a company's management in maximizing shareholder equity. These indicators are calculated as follows:

$$ROA = \frac{Net\ income}{Average\ total\ assets}$$

	Frequency	Percent
Company location		
Albania	3	1.1
Bosnia	2	0.8
Bulgaria	42	15.8
Croatia	20	7.5
Greece	22	8.3
Italy	57	21.4
Montenegro	1	0.4
North Macedonia	4	1.5
Portugal	26	9.8
Serbia	34	12.8
Spain	55	20.6
$\sum$	266	100
Size		
1 to 50	2	0.8
51 to 200 employees	7	2.6
201 to 500 employees	12	4.5
501 to 1,000 employees	8	3
1,001 to 5,000 employees	36	13.5
5,001 to 10,000 employees	31	11.7
10,000+ employees	170	63.9
$\sum$	266	100
Sector		
Aerospace and defense	4	1.5
Agriculture and forestry	4	1.5
Arts, entertainment and recreation	3	1.1
Biotech and pharmaceuticals	33	12.4
Business services	24	9
Finance	16	6
Health care	8	3
Hotels, motels, and resorts	1	0.4
Information technology	65	24.4
Insurance	3	1.1
Manufacturing	67	25.2
Media	2	0.8
Mining and metals	1	0.4
Non-profit	1	0.4
Oil, gas, energy and utilities	3	1.1
Real Estate	4	1.5
Retail	10	3.8
Telecommunications	8	3
Transportation and logistics	7	2.6
Travel and tourism	2	0.8
$\sum$	266	100

Source(s): Authors

Table 1. Sample description

$$ROE = \frac{Net\ income}{Shareholder\ equity}$$

Market indicators. M/B ratio is used to estimate the market capitalization ratio of a company to total book value. EPS measures the earnings per issued share. RPS measures the value of revenue per issued share. These indicators are calculated as follows:

$$M/B = \frac{Market\ capitalization}{Total\ book\ value}$$

$$EPS = \frac{Net\ income - Preferred\ dividends}{End\text{-}of\text{-}period\ common\ shares\ outstanding}$$

$$RPS = \frac{Total\ revenue}{Average\ total\ shares\ outstanding}$$

Financial structure indicators. The financial structure of a company is monitored through a D/E ratio which measures the extent to which a company uses debt to finance its business in regard to shareholder's equity. The ratio is calculated as follows:

$$D/E = \frac{Total\ liabilities}{Shareholders'\ equity}$$

The essence of observing broad types of financial indicators is to determine which indicators can be improved by the development of the employer brand and which are not influenced by the employer brand. This is useful for efficient organization of business activities, efficient use of human capital and cost reduction.

Data analysis

Descriptive statistics

The description of the sample statistics is based on the monitoring of mean and standard deviation for the observed variables. According to the data from Table 2, employer brand attribute that has the highest mean is work/life balance (Mean = 3.53). Observing the financial performance, the D/E ratio (Mean = 97.40) and RPS (Mean = 44.76) have the highest mean value. The D/E ratio (St. Dev. = 102.68) has the highest value of standard deviation.

Analyzing the relationship between dependent and independent variables requires testing the normality of the sample distribution. The normality of the sample distribution is monitored by Kolmogorov–Smirnov test ($n > 50$). The results of the tests show that analyzed variables do not have a normal distribution of data ($p < 0.05$). Observed outliers were replaced using winsorization to reduce the asymmetry and improve the distribution of standardized residuals.

Table 2. Results of descriptive statistics

Variables	Mean	Std. Deviation	Minimum	Maximum
Compensation and pay	3.52	0.45	2.00	4.70
Culture and value	3.52	0.46	2.00	4.70
Career opportunity	3.32	0.42	2.00	4.50
Work/life balance	3.53	0.40	2.30	4.70
Senior management	3.14	0.42	1.90	4.50
Profit margin	6.41	14.92	−61.51	57.85
Operating margin	10.33	15.63	−62.19	81.08
ROA	4.16	6.36	−47.07	25.78
ROE	10.12	20.74	−68.33	77.74
M/B	0.79	0.31	−0.04	1.90
EPS	2.56	6.18	−26.40	37.95
RPS	44.76	60.70	0	381.90
D/E ratio	97.40	102.68	0	703.49

Source(s): Authors

Correlation analysis

The strength and direction of the relationship between the variables is tested using correlation analysis. Spearman's rank correlation coefficient is used for the observed sample since the normality of the sample distribution has not been proven. The results of the correlation analysis are given in Table 3.

Observing the correlation between employer brand attributes and financial performance, the strongest correlation identified is between compensation and pay and profit margin ($\rho = 0.336$; $p > 0.001$). The weakest correlation exists between EPS and work/life balance ($\rho = 0.005$; $p > 0.05$) and D/E ratio and work/life balance ($\rho = 0.019$; $p > 0.05$). If employer brand attributes are observed, the strongest correlation identifies between culture and value and senior leadership ($\rho = 0.885$; $p < 0.01$) and the weakest correlation between work/life balance and compensation and pay ($\rho = 0.459$; $p < 0.01$).

Reliability analysis

The reliability and consistency of the variables is measured based on the value of Cronbach's alpha coefficient. Values of this coefficient are greater than 0.700, which indicate high reliability and consistency of variables (Nunnally, 1970). The observed coefficient by variables ranges from 0.850 (Culture and value) to 0.876 (Work/life balance) (Table 4). The results of the reliability analysis indicate the high reliability and consistency of the observed variables.

Regression analysis

The application of regression analysis requires meeting certain assumptions, including multicollinearity and autocorrelation (Pallant, 2016). Multicollinearity refers to strong correlations between variables and is assessed using the VIF (variance inflation factor) coefficient. VIF values exceeding 10 indicate multicollinearity issues (Field, 2009). In the observed regression models, the VIF values remain within an acceptable range, suggesting no serious multicollinearity concerns. Autocorrelation, which can disrupt regression analysis, is assessed using the Durbin–Watson statistic, with values ideally not exceeding 4. In this study, the conditions for autocorrelation were met across all regression models. Regression analysis is employed to examine the relationship between employer brand attributes and the company's profitability indicators (Table 5). The results support Hypothesis 1a, indicating a positive contribution of employer brand attributes to the profit margin. Approximately 11.8% of the variation in the profit margin can be explained by the independent variables in the model. Compensation and pay significantly influence the profit margin ($\beta = 0.373$; $t = 4.634$; $p = 0.000$). However, although career opportunity and work/life balance have negative β coefficients, their significant impact on the profit margin is not supported (Table 5).

The results of the regression analysis for Model 2, show that Hypothesis 1b is supported. Variations in the value of the operating margin can be explained in 6.4% of cases by variations in the values of independent variables in the model. Significant influence on the operating margin comes from senior leadership ($\beta = 0.383$; $t = 2.519$; $p = 0.012$) (Table 5).

Model 3 analyzes the relationship between employer brand attributes and ROA. The results of regression analysis for Model 3 (Table 6) show that Hypothesis 2a is supported. Senior leadership positively contribute to ROA ($\beta = 0.270$; $t = 1.776$; $p = 0.057$). Variations in the value of ROA can be explained in 6% of cases by variations in the values of independent variables in the model.

Model 4 illustrates the nature of the relationship between employer brand attributes and ROE. The research results, given in Table 6, show that Hypothesis 2b is supported, i.e. an employer brand positively contributes to ROE of the observed companies. Significant

Table 3.
Correlation analysis

	1	2	3	4	5	6	7	8	9	10	11	12
1. Compensation and pay	1											
2. Culture and value	0.644**	1										
3. Career opportunity	0.635**	0.824**	1									
4. Work/life balance	0.459**	0.767**	0.589**	1								
5. Senior management	0.582**	0.885**	0.831**	0.706**	1							
6. Profit margin	0.336**	0.207**	0.216**	0.116*	0.199**	1						
7. Operating margin	0.130*	0.160**	0.174**	0.083	0.193**	0.652**	1					
8. ROA	0.190**	0.180**	0.178**	0.087	0.159**	0.639**	0.604**	0.1				
9. ROE	0.198**	0.165*	0.154	0.055	0.127*	0.703**	0.490**	0.721**	1			
10. M/B	0.117	0.092	0.085	0.078	0.055	0.326**	0.128*	0.386**	0.260**	1		
11. EPS	0.116	0.109	0.117	0.005	0.097	0.597**	0.428**	0.543**	0.676**	0.161**	1	
12. RPS	−0.072	−0.045	0.041	−0.143*	−0.019	−0.072	−0.074	0.090	0.144*	−0.146*	0.368**	1
13. D/E ratio	−0.073	0.057	0.018	0.019	0.028	−0.109	0.022	−0.145*	0.007	0.496**	−0.008	0.217**

Note(s): ** Correlation is statistically significant at the level of $p < 0.01$
* Correlation is statistically significant at the level of $p < 0.05$
Source(s): Authors

influence on ROE comes from compensation and pay (β = 0.248; t = 2.913; p = 0.004) and career opportunity (β = −0.228; t = −1.848; p = 0.056) (Table 6). The value of β is negative in the case of career opportunity. An increase in career opportunity by one standard deviation unit leads to a decrease in the ROE by 0.228 units of standard deviation.

Variables	Cronbach's alpha
Compensation and pay	0.866
Culture and value	0.850
Career opportunity	0.864
Work/life balance	0.876
Senior management	0.857

Note(s): [1]The Glassdoor platform provides only final information about the rank of the employer brand attributes
Source(s): Authors

Table 4. Results of reliability analysis[1]

Employer brand attributes	Standard multiple regression Model 1 (*Dependent variable: Profit margin*)	Model 2 (*Dependent variable: Operating margin*)
Compensation and pay	0.373***	0.107
Culture and value	0.001	−0.055
Career opportunity	−0.213	−0.117
Work/life balance	−0.144	−0.102
Senior management	0.247	0.383***
R^2	*0.118*	*0.064*
F	*6.962*	*3.498*
p	*0.000*	*0.004*
DW	*1.796*	*1.821*
VIF	*<10*	*<10*

Note(s): Standardized coefficients are shown
Significance: ***$p \leq 0.01$; **$p \leq 0.05$; *$p \leq 0.10$
Source(s): Authors

Table 5. Employer brand attributes and profitability indicators

Employer brand attributes	Standard multiple regression Model 3 (*Dependent variable: ROA*)	Model 4 (*Dependent variable: ROE*)
Compensation and pay	0.028	0.248***
Culture and value	−0.009	0.258
Career opportunity	0.036	−0.228*
Work/life balance	−0.107	−0.078
Senior management	0.270*	−0.031
R^2	*0.060*	*0.061*
F	*3.234*	*3.186*
p	*0.008*	*0.008*
DW	*1.884*	*2.254*
VIF	*<10*	*<10*

Note(s): Standardized coefficients are shown
Significance: ***$p \leq 0.01$; **$p \leq 0.05$; *$p \leq 0.10$
Source(s): Authors

Table 6. Employer brand attributes and management effectiveness indicators

The results of the relationship between employer brand attributes and market indicators are given in Table 7. Based on the results of the regression analysis for Model 5, we concluded that Hypothesis 3a is not supported, i.e. there is no positive contribution of the employer brand attributes to the market-to-book ratio (M/B) of the observed companies.

The results of the regression analysis for Model 6 show that Hypothesis 3b is not supported. The value given in Table 7 shows that there is no positive contribution of the employer brand attributes to the EPS. Regression model 7 illustrates the nature of the relationship between employer brand attributes and RPS of observed companies. The results of Model 7 indicate that Hypothesis 3c is not supported.

Model 8 analyzes the relationship between employer brand attributes and financial structure indicators, observed through the D/E ratio (Table 8). Hypothesis 4a is not supported, i.e. there is no positive contribution of the employer brand attributes to the D/E ratio of the observed companies.

Employer brand attributes	Model 5 (*Dependent variable: M/B*)	Standard multiple regression Model 6 (*Dependent variable: EPS*)	Model 7 (*Dependent variable: RPS*)
Compensation and pay	0.080	0.143	−0.091
Culture and value	−0.077	0.232	0.089
Career opportunity	0.181	−0.078	0.031
Work/life balance	0.179	−0.221	−0.203
Senior management	−0.253	−0.021	0.030
R^2	*0.028*	*0.036*	*0.026*
F	*1.470*	*1.854*	*1.243*
p	*0.200*	*0.103*	*0.290*
DW	*1.963*	*1.801*	*1.813*
VIF	*<10*	*<10*	*<10*

Note(s): Standardized coefficients are shown
Significance: $***p \leq 0.01$; $**p \leq 0.05$; $*p \leq 0.10$
Source(s): Authors

Table 7.
Employer brand attributes and market indicators

Employer brand attributes	Standardized coefficient
Compensation and pay	−0.148
Culture and value	0.374
Career opportunity	−0.014
Work/life balance	−0.064
Senior management	−0.075
R^2	*0.040*
F	*1.895*
p	*0.096*
DW	*2.027*
VIF	*<10*

Note(s): Dependent variable: D/E ratio
Significance: $***p \leq 0.01$; $**p \leq 0.05$; $*p \leq 0.10$
Source(s): Authors

Table 8.
Model 8 - employer brand attributes and financial structure indicators

Results

The study findings address the research questions by shedding light on several key points. Firstly, the development of the employer brand should be considered in the context of IC development. The employer brand, through its attributes and benefits for employees, enhances the value of human capital and contributes to the more effective utilization of structural capital. By providing employee benefits, the employer–employee relationship based on trust is strengthened. Employers demonstrate care for employees by offering benefits, while employees reciprocate with increased commitment and effort. Additionally, the positive influence of senior management attributes on profitability and management efficiency indicates that cultivating positive relationships with superiors positively impacts employee performance and financial outcomes. The employer brand is a component of relational capital and contributes to corporate image development. The study's results confirm the influence of the employer brand on specific financial indicators, highlighting the value of strengthening these assets and their impact on IC, which is recognized as a driver of company profitability and competitiveness.

Secondly, the study reveals that work/life balance is highly valued by employees. However, it does not demonstrate a statistically significant effect on any of the observed financial performance indicators and, in fact, exhibits a negative value. Research in the organizational and behavioral sciences suggests that work/life imbalance leads to decreased productivity (Soomro *et al.*, 2018). The lack of significant influence of work/life balance on financial results may explain the lower employee performance (productivity) observed in southern Europe.

Thirdly, the results demonstrate a partial contribution of the employer brand to the observed financial indicators. Profitability and management efficiency indicators are influenced by the employer brand, indicating that strengthening human capital through employee benefits leads to higher profits and more efficient resource utilization. Compensation and pay, as well as senior management, significantly impact both indicators. Given that a considerable number of the observed companies are situated in emerging economies, the influence of the compensation package remains a key factor in achieving favorable business outcomes. However, the employer brand does not affect market indicators and capital structure, suggesting that strengthening employee benefits does not guarantee improved market value or a more favorable financing source ratio for the company.

Discussion and conclusion

The research results indirectly confirm the role of IC and the employer brand in driving profitable business performance (Tiwari, 2022; Asare *et al.*, 2017). Investing in human capital and leveraging appropriate benefits for employees, as reflected in the employer brand, contribute to improved capabilities and effective resource utilization (Bataineh *et al.*, 2022). By addressing the development of intangible assets, specifically human capital, the study fills gaps in existing research.

The findings highlight how employees in southern Europe evaluate employer brand attributes. Developing these attributes allows companies to prioritize employee well-being, which in turn fosters productivity growth and addresses the challenges faced by smaller companies in the region (Sahoo and Sahoo, 2018; Psychogios *et al.*, 2010). Furthermore, emphasizing the employer brand can help overcome conflicts in industrial relations, which are characteristic of southern European economies (Amable, 2003, p. 104). Strengthening the employer–employee relationship through the development of the employer brand can enhance employee productivity, which is often lacking in southern European economies (Derrien and De Barochez, 2020). Additionally, research suggests an increase in the total number of permanent employees in southern European companies since the onset of the COVID-19 pandemic

(Webster *et al.*, 2022). The study indicates the potential of the employer–employee relationship, as it demonstrates the partial impact of the employer brand on financial performance and highlights the dominant influence of senior management attributes.

The results affirm the positive contribution of the employer brand to profitability and management effectiveness indicators (Deepa and Baral, 2019). Consistent with prior studies, higher-quality human capital positively influences profitability (Adesina, 2021; Calisir *et al.*, 2010; Hang Chan, 2009; Melián-González *et al.*, 2015; Rana and Malik, 2017; Soewarno and Tjahjadi, 2020; Weqar *et al.*, 2021). Hypotheses H1 and H2 are supported, indicating that investing in human capital and leveraging tools like the employer brand enhance organizational performance and profitability (Backhaus and Tikoo, 2004; Carraher, 2011; Kashyap and Verma, 2018). Compensation and pay, as well as senior leadership, have a significant impact on profitability. A competitive compensation package is crucial for attracting, recruiting and retaining valuable human capital (Abugre and Nasere, 2020). The influence of senior leadership on profitability aligns with previous research by Melián-González *et al.* (2015), as it fosters employee satisfaction and a sense of belonging to the company.

Regarding management effectiveness indicators, compensation and pay, career opportunities and senior leadership play significant roles. This conclusion is supported by Shim and Lee (2003), Namwong *et al.* (2017), Abdalkrim (2019), Otoo *et al.* (2019) and Melián-González *et al.* (2015). The value of compensation reflects the importance and value a company places on its employees (Rana and Malik, 2017), with satisfactory compensation contributing to efficient capital management. Employees value companies with ethical and transparent top management, which leads to more effective capital utilization (Kashive *et al.*, 2020). However, the career opportunity attribute negatively affects ROE, suggesting a need for reduced investment in career development to enhance management effectiveness. By supporting Hypotheses H1 and H2, the study fills a research gap by empirically demonstrating that the employer brand can improve specific financial results. The development of the employer brand and its benefits for employees contribute to efficient resource utilization, leading to greater profitability.

We did not find positive contributions of the employer brand to market performance and financial structure indicators. This aligns with findings by Firer and Williams (2003) or Mehralian *et al.* (2012). As an internal company resource and part of its intangible assets, the employer brand primarily strengthens benefits for current employees, enhancing profitability and management efficiency. The market value of a company is influenced by economic conditions and external factors beyond internal control, as well as the company's activities in the capital market and methods of financing operations (Hamdan, 2018).

Our study fills a literature gap by examining the impact of the employer brand on financial performance. While financial performance is commonly studied in larger companies with market-financed capital and external investors (Panno, 2020), our findings provide an additional contribution by demonstrating the financial benefits of investing in the employer brand (Deepa and Baral, 2019). By supporting Hypotheses H1 and H2, the study highlights the value of developing the employer brand as a means to enhance the employer–employee relationship and improve financial performance. By focusing on the development of human and IC through the employer–employee relationship, the study addresses observed HRM challenges in companies across southern Europe.

Implications

Our study provides several *theoretical* implications. Firstly, it analyzes the employer brand in the context of IC as a means of enhancing its value, contributing to the psychological contract literature that focuses on the reciprocal exchange of benefits between employees and employers (Edwards, 2010). Secondly, the study fills a gap in the literature by examining business operations in southern European countries (López-Muñoz *et al.*, 2023; Medeiros *et al.*, 2020) and offers a theoretical contribution to the VOC approaches. It also addresses the issue of low productivity in the region by proposing the development of the employer brand as a solution to improve financial performance and the employer–employee relationship. Thirdly, the study links the development of employer brand attributes to financial indicators, providing a significant contribution to the resource-based view and knowledge-based view.

In terms of *managerial* implications, the research highlights the profitability of investing in the development of the employer brand. Human resource (HR) managers should regularly assess employee attitudes and preferences regarding employer attributes and incorporate changes into the annual development plans of the employer brand. Respecting employee attitudes fosters a positive employer–employee relationship and enhances employee productivity, leading to improved business performance. Additionally, focusing on the employer brand can result in better profitability and efficiency indicators. Managers should invest in human capital and the employer brand, which enhances the company's image in the capital market and affects its market value. Top management policies that support a strong employer–employee relationship and foster employee commitment are crucial.

From a *social* perspective, the study emphasizes the importance of employer brand development in shaping the position of employees and working conditions. The findings indicate that developing the employer brand brings financial benefits to companies, providing opportunities for additional investments in employees through psychological, functional and economic benefits (Dobbins, 1993). These activities contribute to the public perception of the employer.

Limitations and scope of future research

As every research, also ours holds its limitations. Firstly, the assessment of employer brand attributes relies solely on secondary data from the Glassdoor platform, without considering data from other social media platforms or including additional information about the respondents themselves (e.g. current/former employee status, tenure, gender and demographic/professional characteristics) (Saini and Jawahar, 2019; Saini and Jawahar, 2019; Kashive *et al.*, 2020). This limits the ability to conduct further analyses such as factor analysis, structural equation modeling and model validity assessment. However, hypothesis testing using regression analysis was performed with no violation of assumptions due to missing data. The second limitation pertains to the lack of clarity regarding the measurement scale for employer brand attributes. This raises concerns about the reliability of the attribute ratings, as companies may artificially manipulate ratings by instructing employees to provide positive reviews. However, similar reliability issues are encountered when researchers collect primary data. In fact, some studies suggest that employees are more objective when evaluating employers on independent platforms due to their lack of self-interest (Saini and Jawahar, 2019). Collecting data from platforms like Glassdoor offers the advantage of a large number of reviews that would be challenging to obtain through individual surveys across various company branches. The third limitation is the exclusion of symbolic attributes (e.g. sincerity, innovativeness, competence, prestige and robustness) from the analysis. Previous research has highlighted the usefulness of symbolic attributes in shaping a favorable employer image (Backhaus and Tikoo, 2004). The analyzed employer brand attributes primarily reflect the characteristics of the working environment within companies.

For future research, we think that it would be valuable to conduct a comparative analysis of the significance of the employer brand in southern Europe compared to other European regions. Additionally, investigating the disclosure of the employer brand value in the balance sheet and the associated costs of employer brand initiatives could be explored in future studies. Researchers may also examine the relationship between employer brand attributes and customer satisfaction and loyalty, particularly in the service sector.

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